



# **DRAFT** 2023-2024 INTERIM WORK PLAN



Revenue Interim Committee

Prepared by Megan Moore

July 2023

# INTRODUCTION

The work plan provides an outline of what the Revenue Interim Committee will work on throughout the interim and how much time will be allocated to each subject. This document provides guidance to the committee, staff, and the public over the next 15 months and serves as a blueprint for the interim.

## COMMITTEE PROCEDURES AND PUBLIC PARTICIPATION

The Revenue Interim Committee (RIC) will operate under the Rules, Procedures, and Guidelines for Interim Committees adopted by the Legislative Council. As required by law, 10-day advance public notice will be given for all meetings and the public will be given an opportunity to comment on any matter that is within the jurisdiction of the committee. The presiding officer may establish time limits for public comments, if necessary. Interested persons may be added to the mailing list by visiting the RIC website. Agendas, memos, links, and other information can be found on the RIC website:

<https://leg.mt.gov/committees/interim/ric>.

## MEMBERS AND STAFF

| Committee Members           | Phone        | Email  |
|-----------------------------|--------------|--|
| Rep. Larry Brewster         | 406-670-0929 | <a href="mailto:larry.brewster@legmt.gov">larry.brewster@legmt.gov</a>     |
| Rep. Sherry Essmann         | 406-876-0490 | <a href="mailto:sherry.essmann@legmt.gov">sherry.essmann@legmt.gov</a>     |
| Rep. Paul Fielder           | 406-210-5943 | <a href="mailto:paul.fielder@legmt.gov">paul.fielder@legmt.gov</a>         |
| Rep. Mark Thane             | 406-552-3957 | <a href="mailto:mark.thane@legmt.gov">mark.thane@legmt.gov</a>             |
| Sen. Becky Beard            | 406-479-3048 | <a href="mailto:becky.beard@legmt.gov">becky.beard@legmt.gov</a>           |
| Sen. Greg Hertz             | 406-253-1747 | <a href="mailto:greg.hertz@legmt.gov">greg.hertz@legmt.gov</a>             |
| Sen. Shannon O'Brien        | 406-274-3805 | <a href="mailto:shannon.obrien@legmt.gov">shannon.obrien@legmt.gov</a>     |
| Sen. Jeremy Trebas          | 406-899-5445 | <a href="mailto:jeremy.trebas@legmt.gov">jeremy.trebas@legmt.gov</a>       |
| Committee Staff             | Phone        | Email  |
| Megan Moore, Lead Staff     | 406-444-4496 | <a href="mailto:megan.moore@legmt.gov">megan.moore@legmt.gov</a>           |
| Jaret Coles, Staff Attorney | 406-444-4022 | <a href="mailto:jaret.coles@legmt.gov">jaret.coles@legmt.gov</a>           |
| LJ Jennings, Secretary      | 406-444-3597 | <a href="mailto:lavanda.jennings@legmt.gov">lavanda.jennings@legmt.gov</a> |

## HOW THE COMMITTEE PLANS ITS WORK

During the legislative interim, the RIC typically focuses on assigned study topics, oversight of programs and rulemaking activities of the Department of Revenue and the Montana Tax Appeal Board, and revenue estimating and monitoring. The committee may also address issues of interest to committee members within the committee's assigned areas of taxation and revenue estimating and monitoring.

The Legislative Council did not assign any studies to the committee this interim so the committee will focus on topics of interest to committee members.

The RIC establishes its work plan at the beginning of the interim. The primary constraint limiting the work plan for the interim is the number of issues that can be effectively addressed within the available time and resources of the committee members and its staff.

This 2023-2024 Draft Interim Work Plan is a decision-making tool to help committee members work together efficiently to set priorities and decide how and where to spend the RIC's limited time and resources. The work plan sets out a strategy for fulfilling the RIC's responsibilities throughout the 2023-2024 interim. Once the RIC collectively makes a decision on the work plan, it will become a blueprint for the interim. Staff will develop detailed work plans and timetables for each major study. The Draft RIC Work Plan Decision Matrix, a separate document, is a way to look at topic options side by side and allocate staff time according to member priorities. The matrix includes estimates for total staff time available to the RIC, but keep in mind that many topics also require meeting time for updates, panel presentations, and committee discussion.

## REVENUE INTERIM COMMITTEE STATUTORY DUTIES & OBLIGATIONS

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### OVERVIEW

The Revenue Interim Committee draws its statutory responsibilities from a number of sources identified below. As applied to the RIC, statutes require the committee to:

1. **Conduct interim studies** as assigned. The committee may recommend to the Legislative Council that a study be assigned to another committee or not be conducted.
2. **Review administrative rules** of the Department of Revenue (DOR) and the Montana Tax Appeal Board (MTAB).
3. **Review the statutorily established advisory councils and required reports** of assigned agencies to make recommendations to the next legislature on retention or elimination of any advisory council or required reports (*required only if requested by a member of the interim committee*).
4. **Review legislation** proposed by DOR and MTAB. Bills requested by an individual member of the Legislature are not subject to this requirement.
5. **Review proposed statewide initiatives** within the interim committee's subject area and vote to either support or not support the placement of the text of a proposed statewide initiative on the ballot.
6. **Complete additional statutory duties** including:
  - a. preparing a **revenue estimate** by December 1 for introduction during each regular session of the Legislature in which a revenue bill is under consideration;
  - b. reviewing income tax credits as provided in [15-30-2303](#); and
  - c. reviewing reports required to be submitted to the committee.
7. **Monitor the operation of DOR and MTAB** with specific attention to the following:
  - a. identification of issues likely to require future legislative attention;
  - b. opportunities to improve existing law through the analysis of problems; and
  - c. the experiences of Montana's citizens with the agency and whether these experiences may be amenable to improvement through legislative action.
8. **(Committee driven)**: Prepare bills and resolutions that, in the committee's opinion, the welfare of the state may require for presentation to the next regular session. An interim committee may by vote request four bill drafts on a partisan basis and an unlimited number of bill drafts on a bipartisan basis.
9. **(Committee driven)**: Compile, analyze, and furnish information bearing upon the committee's assignment and relevant to existing or prospective legislation that the committee determines to be pertinent to the adequate completion of its work.

## GENERAL DUTIES FOR ALL INTERIM COMMITTEES

Section 5-5-215, MCA, outlines general duties of all interim committees.<sup>1</sup>

**5-5-215. Duties of interim committees.** (1) Each interim committee shall:

- (a) review administrative rules within its jurisdiction;
  - (b) subject to 5-5-217(3), conduct interim studies as assigned;
  - (c) monitor the operation of assigned executive branch agencies with specific attention to the following:
    - (i) identification of issues likely to require future legislative attention;
    - (ii) opportunities to improve existing law through the analysis of problems experienced with the application of the law by an agency; and
    - (iii) experiences of the state's citizens with the operation of an agency that may be amenable to improvement through legislative action;
  - (d) review, if requested by any member of the interim committee, the statutorily established advisory councils and required reports of assigned agencies to make recommendations to the next legislature on retention or elimination of any advisory council or required reports pursuant to 5-11-210;
  - (e) review proposed legislation of assigned agencies or entities as provided in the joint legislative rules;
  - (f) accumulate, compile, analyze, and furnish information bearing upon its assignment and relevant to existing or prospective legislation as it determines, on its own initiative, to be pertinent to the adequate completion of its work; and
  - (g) review proposed ~~ballot~~ statewide initiatives as defined in [section 1] within the interim committee's subject area and vote to either support or not support the placement of the text of ~~an~~ the proposed statewide initiative on the ballot in accordance with ~~13-27-202 [section 13]~~.
- (2) Each interim committee shall prepare bills and resolutions that, in its opinion, the welfare of the state may require for presentation to the next regular session of the legislature. An interim committee may by vote request four bill drafts on a partisan basis and an unlimited number of bill drafts on a bipartisan basis.
- (3) The legislative services division shall keep accurate records of the activities and proceedings of each interim committee.
- (4) As used in this section:
- (a) "bipartisan basis" means a vote in which members from more than one party vote to request a bill draft; and
  - (b) "partisan basis" means a vote in which members from only one party vote to request a bill draft.

## REVENUE INTERIM COMMITTEE DUTIES

Section 5-5-227, MCA, provides specifically for the Revenue Interim Committee's powers and duties.

**5-5-227. Revenue interim committee — powers and duties — revenue estimating and use of estimates.** (1)

The revenue interim committee has administrative rule review, draft legislation review, program evaluation, and monitoring functions for the Montana tax appeal board established in 2-15-1015 and for the department of revenue and the entities attached to the department for administrative purposes, except the divisions of the department that administer the Montana Alcoholic Beverage Code and the Montana Marijuana Regulation and Taxation Act.

(2) (a) The committee must have prepared by December 1 for introduction during each regular session of the legislature in which a revenue bill is under consideration an estimate of the amount of revenue projected to be available for legislative appropriation.

(b) The committee may prepare for introduction during a special session of the legislature in which a revenue bill or an appropriation bill is under consideration an estimate of the amount of projected revenue. The revenue estimate is considered a subject specified in the call of a special session under 5-3-101.

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<sup>1</sup> Amendments to 5-5-215, MCA, are not yet codified. This version includes amendments to 5-5-215 in [Senate Bill 93](#) and [Senate Bill 176](#). Sections referenced within the text are sections in Senate Bill 93.

(3) The committee's estimate, as introduced in the legislature, constitutes the legislature's current revenue estimate until amended or until final adoption of the estimate by both houses. It is intended that the legislature's estimates and the assumptions underlying the estimates will be used by all agencies with responsibilities for estimating revenue or costs, including the preparation of fiscal notes.

(4) The legislative services division shall provide staff assistance to the committee. The committee may request the assistance of the staffs of the office of the legislative fiscal analyst, the legislative auditor, the department of revenue, and any other agency that has information regarding any of the tax or revenue bases of the state.

(5) The committee shall review tax credits as provided in 15-30-2303.

## ADMINISTRATIVE RULE REVIEW

The committee has administrative rule review responsibility for the Department of Revenue, except for rules affecting liquor and marijuana, and the Montana Tax Appeal Board.

The staff attorney will review administrative rules throughout the interim and provide the committee information about proposed and adopted rules, identifying any areas of concern.

## REVIEW PROPOSED STATEWIDE INITIATIVES

The Revenue Interim Committee is required to review proposed statewide initiatives that relate to its subject area. The Legislature enacted [Senate Bill 93](#) (SB 93) in 2023 to clarify and revise the review process enacted in [House Bill 651](#) (HB 651) in 2021. The revised law provides that a statewide initiative includes a constitutional initiative, a constitutional convention initiative, or a statutory initiative.

Section 13 of SB 93 requires the interim committee to hold a public hearing on a statewide initiative referred to the committee by the executive director of the Legislative Services Division. The committee then votes to either support or not support the placement of the proposed statewide initiative on the ballot. The petition used to gather signatures to place the statewide initiative on the ballot must include the interim committee vote. SB 93 applies to statewide initiatives submitted to the secretary of state after May 19, 2023.

The review process may result in additional committee meetings because the committee vote must be submitted to the secretary of state no later than 14 days after receipt of the final text of the statewide initiative. A complaint was filed May 26, 2023, in Lewis and Clark County District Court challenging SB 93, which may alter the committees work depending on the findings of the Court.

## REVENUE ESTIMATING AND MONITORING

The RIC is required to prepare a revenue estimate for introduction during each regular legislative session. The committee generally adopts the revenue estimate the November prior to the regular legislative session.

In preparation for the revenue estimate, the committee monitors revenues throughout the interim. The Legislative Fiscal Division generally provides the committee with a revenue update at each meeting.

## TAX CREDIT REVIEW

Section 15-30-2303, MCA,<sup>2</sup> requires the Revenue Interim Committee to review and make recommendations about individual income and corporate income tax credits.

The following credits are scheduled for review this interim:

- the credit for infrastructure use fees provided for in [17-6-316](#);
- the credit for contributions to a qualified endowment provided for in [15-30-2327 through 15-30-2329](#), [15-31-161](#), and [15-31-162](#)<sup>3</sup>;
- the credit for property to recycle or manufacture using recycled material provided for in [Title 15, chapter 32, part 6](#); and
- the credit for preservation of historic buildings provided for in [15-30-2342](#) and [15-31-151](#).

## REQUIRED REPORTS

The committee receives required reports from the Department of Revenue and other state agencies.

### REQUIRED REPORTS FROM THE DEPARTMENT OF REVENUE

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#### CONTRIBUTIONS TO A QUALIFIED ENDOWMENT, [15-1-230](#), MCA

Biennial report on the number and type of taxpayers claiming the credit for contributions to a qualified endowment under [15-30-2328](#), MCA, the total amount of the credit claimed, the total amount of the credit recaptured, and DOR's cost associated with administering the credit.

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#### TAXABLE VALUE NEUTRAL PROPERTY TAX RATES, [15-7-111](#), MCA

Report in the second year of each reappraisal cycle on the tax rates for the upcoming reappraisal cycle that will result in taxable value neutrality for each property class.

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#### GROW MONTANA JOBS TAX CREDIT, [15-30-2361](#), MCA

Report on approvals granted and credit certificates issued, including the credits claimed, the names of the qualifying employers of the credits, and the amount of tax credits claimed. Terminates Dec. 31, 2028.

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#### LIST OF STUDENT SCHOLARSHIP ORGANIZATIONS, [15-30-3112](#), MCA

List of student scholarship organizations receiving contributions from businesses and individuals granted tax credits under [15-30-3111](#). Terminates Dec. 31, 2029.

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#### FOREST LANDS TAXATION ADVISORY COMMITTEE, [15-44-103](#), MCA

Biennial report on activities of Forest Lands Taxation Advisory Committee.

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<sup>2</sup> The 2023 Legislature enacted two bills that revise the tax credit review schedule: [House Bill 24](#) requested by the 2021-2022 Revenue Interim Committee and [House Bill 225](#), which adds review of the adoption tax credit.

<sup>3</sup> [Senate Bill 506](#) amends [15-30-2328](#), [15-30-2329](#), [15-31-161](#), and [15-31-162](#)

## REQUIRED REPORTS FROM OTHER STATE AGENCIES

### ECONOMIC IMPACT OF MEDIA ACT CREDITS, 15-31-1011, MCA

The Department of Commerce must contract with a research organization to provide a report no later than 6 months before each legislative session on film tax credits. The report must include: the impact of the credits, the dollar amount of credits issued, the number of net new jobs created, the amount of compensation paid, and the economic impact of the film industry in the state.

### RECEIPTS LESS THAN REVENUE ESTIMATE PROJECTION, 17-7-140(4), MCA

The Office of Budget and Program Planning is required to report upon determination of the budget director that an amount of actual or projected receipts will result in an amount less than the amount projected to be received in the revenue estimate.

## POTENTIAL WORK PLAN TOPICS

### STUDY RESOLUTIONS ASSIGNED TO THE COMMITTEE BY LEGISLATIVE COUNCIL

The Legislative Council did not assign any study resolutions to the Revenue Interim Committee.

### OPTIONAL MEMBER TOPICS FOR COMMITTEE WORK PLAN

Committee members suggested the topics in the draft decision matrix. The suggested topics are optional and may be prioritized by the committee and included in the work plan.

## PROPOSED MEETING SCHEDULE & WORK PLAN TIMELINE

The proposed meeting schedule includes an organizational meeting, seven regular meetings, and a meeting to adopt the revenue estimate in November 2024.

The committee should review the proposed dates, make changes as necessary, and adopt a meeting schedule.

July 13, 2023 (Organizational)

September 18-19, 2023

November 2-3, 2023

January 22-23, 2024

March 21-22, 2024

May 9-10, 2024

June 24-25, 2024

August 16, 2024

November 18, 2024 (Revenue estimate)

| Date                                      | Activities  | Tasks/Policy Decisions  |
|---|---|---|
| <b>July 13, 2023<br/>(Organizational)</b> | <ul style="list-style-type: none"> <li>➤ Organizational</li> <li>➤ Agency Monitoring</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>  | <ul style="list-style-type: none"> <li>• Elect officers</li> <li>• Review, revise, and adopt work plan</li> <li>• Adopt meeting dates</li> <li>• DOR introductions</li> <li>• MTAB introductions</li> <li>• Administrative rule review</li> <li>• FY 2023 General Fund Update</li> </ul>                                |
| <b>September 2023</b>                     | <ul style="list-style-type: none"> <li>➤ Organizational</li> <li>➤ Agency Monitoring</li> <li>➤ Study topics</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul> | <ul style="list-style-type: none"> <li>• Review final work plan and meeting dates</li> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Based on work plan</li> <li>• Credit for infrastructure use fees</li> <li>• Revenue update</li> </ul>  |
| <b>November 2023</b>                      | <ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ Study topics</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>                           | <ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Based on work plan</li> <li>• Follow up on credit for infrastructure use fees</li> <li>• Credit for property to recycle or manufacture using recycled material</li> <li>• Revenue update</li> </ul>            |
| <b>January 2024</b>                       | <ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ Study topics</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>                           | <ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Based on work plan</li> <li>• Follow up on credit for property to recycle or manufacture using recycled material</li> <li>• Credit for preservation of historic buildings</li> <li>• Revenue update</li> </ul> |



| Date       | Activities                        | Tasks/Policy Decisions  |
|------------|-----------------------------------|---|
| March 2024 | ➤ Agency Monitoring               | <ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> </ul>  |
|            | ➤ Required Reports                | <ul style="list-style-type: none"> <li>• List of student scholarship organizations and contributions to a qualified endowment (DOR)</li> </ul>                              |
|            | ➤ Study topics                    | <ul style="list-style-type: none"> <li>• Based on work plan</li> </ul>  |
|            | ➤ Tax Credit Review               | <ul style="list-style-type: none"> <li>• Follow up on credit for preservation of historic buildings</li> <li>• Credit for contributions to a qualified endowment</li> </ul> |
|            | ➤ Revenue Estimating & Monitoring | <ul style="list-style-type: none"> <li>• Revenue update</li> </ul>  |
| May 2023   | ➤ Agency Monitoring               | <ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> </ul>  |
|            | ➤ Required Reports                | <ul style="list-style-type: none"> <li>• Forest Lands Taxation Advisory Committee (DOR)</li> </ul>  |
|            | ➤ Study topics                    | <ul style="list-style-type: none"> <li>• Based on work plan</li> </ul>  |
|            | ➤ Tax Credit Review               | <ul style="list-style-type: none"> <li>• Follow up on credit for contributions to a qualified endowment</li> </ul>  |
|            | ➤ Revenue Estimating & Monitoring | <ul style="list-style-type: none"> <li>• Revenue update</li> </ul>  |
| June 2024  | ➤ Agency Monitoring               | <ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Agency bill draft requests</li> <li>• Administrative rule review</li> </ul>                              |
|            | ➤ Required Reports                | <ul style="list-style-type: none"> <li>• Economic impact of MEDIA Act credits (Commerce) and Grow Montana Jobs Tax Credit (DOR)</li> </ul>                                  |
|            | ➤ Study topics                    | <ul style="list-style-type: none"> <li>• Based on work plans</li> <li>• Review draft legislation</li> </ul>   |
|            | ➤ Tax Credit Review               | <ul style="list-style-type: none"> <li>• Final recommendations</li> <li>• Review draft legislation</li> </ul>   |
|            | ➤ Revenue Estimating & Monitoring | <ul style="list-style-type: none"> <li>• 2027 Biennium Revenue Outlook and FY 2024 Quarterly Report</li> </ul>  |

| Date  | Activities                        | Tasks/Policy Decisions   |
|---|-----------------------------------|--|
| <b>August 2024</b>                          | ➤ Agency Monitoring               | <ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Review any legislation related to required reports</li> </ul> |
|   | ➤ Study topics                    | <ul style="list-style-type: none"> <li>• Based on work plans</li> <li>• Review draft final reports</li> <li>• Finalize draft legislation</li> </ul>                    |
|   | ➤ Tax Credit Review               | <ul style="list-style-type: none"> <li>• Review draft final report</li> <li>• Finalize draft legislation</li> </ul>  |
|   | ➤ Revenue Estimating & Monitoring | <ul style="list-style-type: none"> <li>• Revenue update</li> </ul>   |
| <b>November 2024<br/>(Revenue estimate)</b> | ➤ Agency Monitoring               | <ul style="list-style-type: none"> <li>• Administrative rule review</li> </ul>   |
|   | ➤ Required Reports                | <ul style="list-style-type: none"> <li>• Tax rates that will result in taxable value neutrality (DOR)</li> </ul>   |
|   | ➤ Revenue Estimating & Monitoring | <ul style="list-style-type: none"> <li>• 2025 Biennium Revenue Estimate and Comparison to Executive</li> </ul>   |